

### **Substitute Specification (Clean Version)**

#### **FIELD OF THE INVENTION**

Disclosed is a method of and means for teaching accounting concepts and procedures.

#### **BACKGROUND TO THE INVENTION**

Double entry accounting is the only system widely used now in commerce and industry for maintaining the books of a commercial enterprise. A difficulty in teaching accounting revolves around elucidating the concepts of debit and credit. Confusion frequently arises in understanding whether the entry to be made is a debit or credit entry and where the entries are to be made in respect of a specific transaction. Confusion also arises in respect of the interpretation of financial statements where the meaning of the numbers given is not understood. The present inventive subject matter seeks to overcome difficulties involved in teaching these basic accounting concepts.

#### **BRIEF DESCRIPTION OF THE INVENTION**

There is provided a method of teaching accounting principles in which two different colours colors are used to distinguish that which is owned and owed from that which has been used and earned thereby; to establish the concept of double entry accounting, question sets are used to distinguish assets, liabilities, income and expenditure from one another to facilitate their proper treatment in books of account[,]]; and words other than commonly accepted accounting words are used to denote accounting concepts.

#### **BRIEF DESCRIPTION OF THE DRAWINGS**

For a better understanding of the present inventive subject matter and to show how the same

may be carried into effect, reference will now be made, by way of example, to the accompanying drawings.

FIG. 1 shows a starting sheet;

FIG. 2 shows a marked up version of the starting sheet of Fig. 1 after a first step of the teaching method has been carried out;

FIG. 3 shows the marked up version of the starting sheet of Fig. 2 in relation to bank notes, each having a different color;

FIG. 4 shows a transaction diary in relation to the marked up version of the starting sheet of Fig. 2;

FIG. 5 shows a basket for containing assets, liabilities etc.;

FIG. 6 shows the basket positioned on the marked up version of the starting sheet;

FIG. 7 shows the physical relationships between asset and liability transactions;

FIG. 8 shows an introduction to the concept of "profit" being the difference between what is owned and what is owed;

FIG. 9 is a translational presentation of the concepts of owning and owing to the more usual concepts of assets and liabilities;

FIG. 10 is a depiction of the way in which owner's equity is related to assets and liabilities;

FIG. 11 shows an income statement;

FIG. 12 shows a balance sheet;

FIG. 13 is a teaching aid for showing students that accounts are taken out and balanced at predetermined intervals;

FIGS. 14 to 17 show teaching aids that demonstrate closing balances of one accounting period versus opening balances of a subsequent accounting period;

FIG. 18 shows a decision tree that is used to elucidate a decision making process for increasing a value of a basket;

FIG. 19 shows a decision tree that is used to elucidate a decision making process for increasing or decreasing a value of a basket; and

FIGS. 20 and 21 show decision trees that are used to elucidate a decision which is applied to each transaction to determine what type of transaction it is.

#### DETAILED DESCRIPTION OF THE EMBODIMENTS

The method according to the present invention will now be described with reference to the annexed Figures.

In FIG. 1, students are presented with a blank sheet 10 representing a situation before any transactions are conducted in a business. In FIG. 2, students divide the sheet 10 into halves by means of a vertical line and write "owe" and "own" on opposite sides of the line. The happy and sad faces are to indicate whether entries on opposite sides of the line are "good" or "bad". Specifically owning something is good, owing something is bad.

In the next step, as shown in FIG. 3, students are then provided with "bank notes" of different colors representing amounts owed and the value of things owned. Students record transactions in a diary, which represents a traditional accounting journal. Lastly, in FIG. 4, the last item provided to the students is a transaction diary 14. The transaction diary 14 has entered in it, in narrative non-accounting format, a description of the events that are being "accounted for" by the student.

Students are now ready to start learning accounting concepts. The first concept is that of the bank balance. FIG. 5 demonstrates that the bank balance will be R9400 if the money "owned" is R10000 and the money "owed" is R600. The concept of a notional basket for containing assets,

liabilities etc. is introduced. This concept is intended to assist the student in grasping that in accounting like must be kept with like. Eventually the concept of a "basket" converts to an understanding by the student of the concept of accounts of various types.

As shown in FIG. 6, the initial borrowing of working capital is then dealt with. The asset of R110,000 is shown on the owned side of the line (by the business) and is balanced by the owe liability on the other side of the line. The types of money discussed with respect to FIG. 3 are placed on opposite sides of the line 12 as visual representations of owe and own.

The concept introduced in Fig. 7 is that of a physical place in which transactions occur. These transactions alter the assets and liabilities in the work place, has been designated a "scrapyard" and results in profits or losses. Eventually the concept of these changes occurring over a period of time converts in the student's mind to an income statement.

FIGS. 8 – 11 show the concept of "profit" being the difference between what is owned and what is owed. Thus, the student's view of owe and owned is merely changed to the more usual concepts of assets and liabilities. What is demonstrated is how income and expenditure are used to give profit.

FIG. 12 depicts a way in which a balance sheet at a specific date is created. A student is shown that accounts are taken out and balanced at predetermined intervals. Closing balances of one accounting period are carried forward as opening balances of the next accounting period.

FIGS. 18 to 21 disclose decision trees, which are used to elucidate the decision process which is applied to each transaction to determine what type of transaction it is, whether it influences the balance sheet or income statement, and whether it results in an increased or decrease in whichever basket the amount is allocated to. The transactions are accompanied by the placing of notes (FIG. 3) of the appropriate color and value to show that there is an increase or a decrease in the value of the

asset, liability, etc.

In FIG. 18, a person would first ask what are the baskets that are affected. Then, for each basket, it is determined whether the basket is something that you own, which is represented by a smiley face, or owe, which is represented by a sad face. Lastly, it is demonstrated that the value of each basket is increased by putting a colored money (ticket) in a basket having the same color. The decision tree of FIG. 19 shows the same first two steps of FIG. 18; however, the last step is intended to determine whether the value of the basket is increasing or decreasing. As in FIG. 18, to increase the basket, a person must place colored money, i.e., a colored ticket, in the basket having the same color as the ticket. To decrease the value of a basket, a person must place colored money, i.e., a colored ticket, in the basket having the opposite color as the ticket.

While the sheets on which the Figures are drawn and the notes can be physical elements, it is also possible for the system to be computerized. Each Figure is then available as a computer screen and the program can be programmed to enable visual images of notes of appropriate value and color to be brought onto the screen as required.